July 2021 edition

LV= Wealth and Wellbeing Monitor

LV= surveyed 4,000+ nationally representative UK adults (of which 500+ were mass affluent)

Research conducted via Opinium Research in June 2021

For UK financial adviser use only

Introduction

Welcome to the July 2021 edition of the LV= Wealth & Wellbeing Monitor

Every quarter we survey 4,000+ nationally representative UK adults, tracking changes to their income and outgoings, and exploring a variety of wealth and wellbeing subjects, such as their plans for retirement, and their mental health.

"The latest LV= Wealth and Wellbeing Monitor shows signs of economic recovery in the UK. The success of the vaccine programme, fall in death rates and gradual easing of lockdown restrictions is driving consumer confidence.

A growing number of people say their income has increased over the past three months and, as lockdown eases, they are saving less and spending more on socialising. This is good news as it indicates that the UK could experience a stronger recovery when lockdown restrictions are eased and life begins to return to normal, but we're not there yet especially as we are seeing infection rates and the number of people having to isolate soar.

Mental health is improving too, with decreasing money worries and loneliness. People are now booking holidays and spending time with family to make up for lost time.

As things return to normal and people are looking to the future, this could be the ideal time for consumers to start thinking about their retirement. The first step would be to look into what pensions they currently have. We found that many people have multiple old pensions that they are not keeping track of, and they may be paying high fees and not getting the strongest returns. They should consider speaking to an adviser about pension consolidation to make the most out of their pension pots. It is also an ideal time to speak to their partner as our stats show that pensions and retirement planning seem to be the last taboo in marriages.

One trend we've seen in this quarter's research is how those aged 65+ are now exhibiting a strong reluctance to move into a care home, after seeing how easily illnesses (like Covid-19) can spread. Equity release could help people afford to make adaptations to their home and a carer to visit, rather than having to sell up and move into a care home. However, for consumers to see this as a viable option, current misunderstandings around equity release would need to be addressed."

Clive Bolton, Managing Director,
LV= Savings and Retirement

Contents

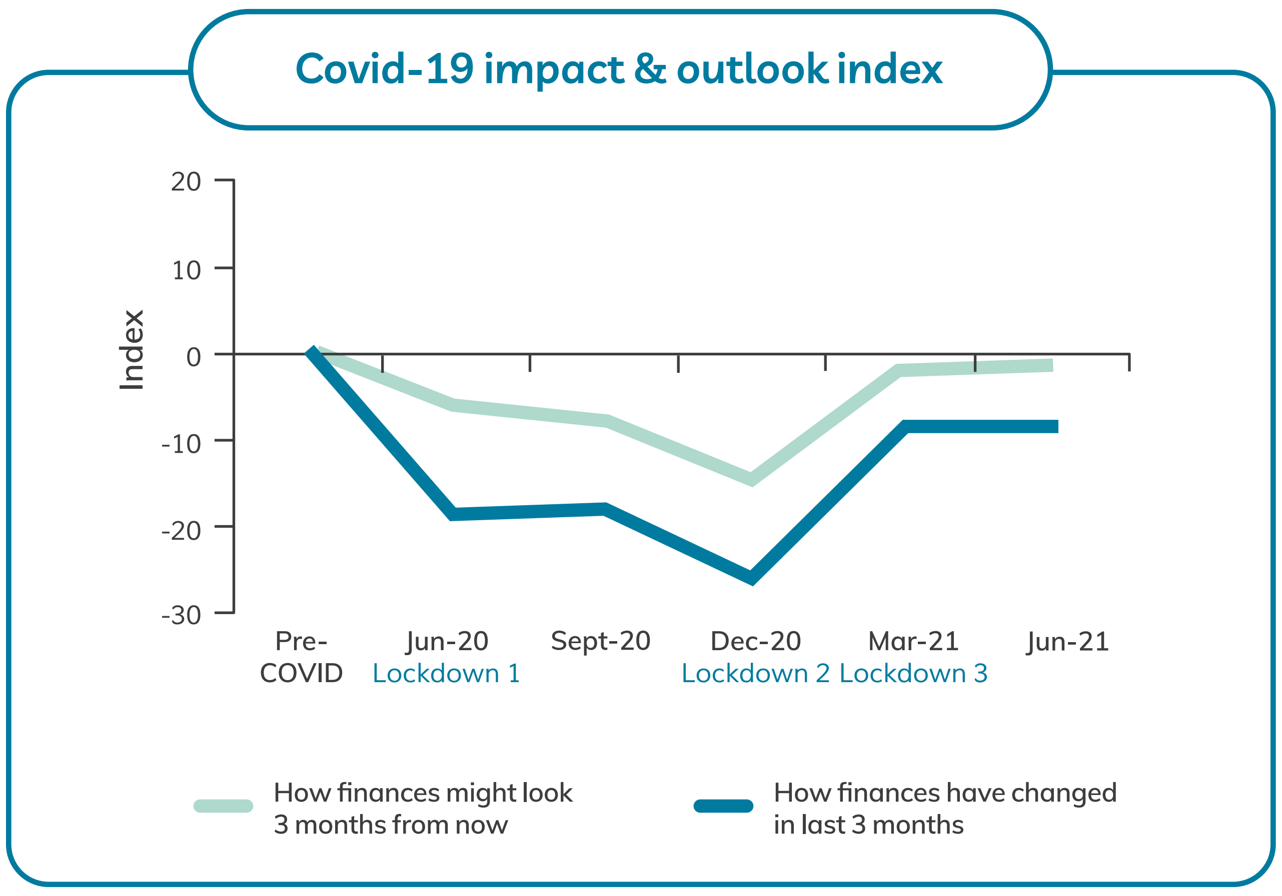
Wealth & Wellbeing Indices

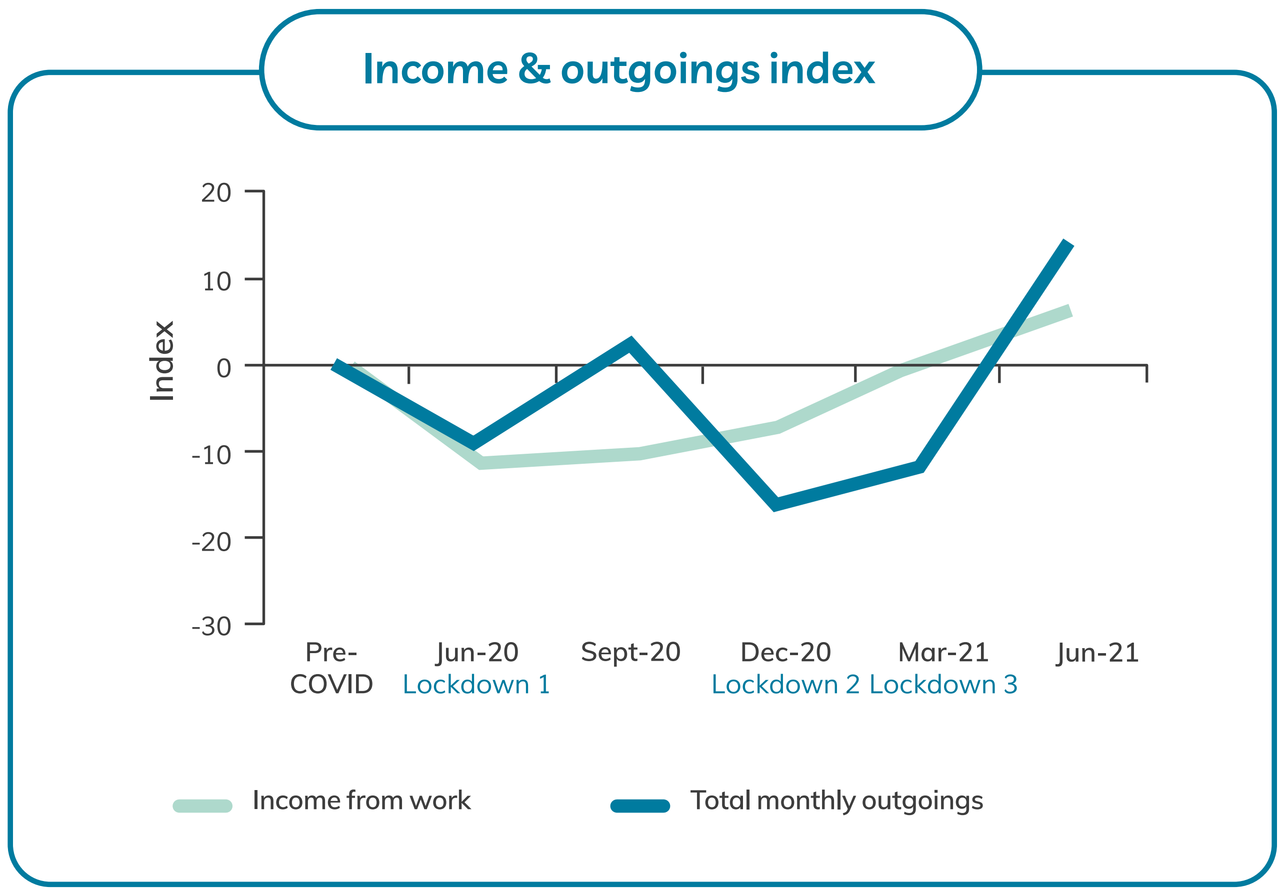
LV= uses indices to track overall changes to spending, saving and finances. The indices are calculated by subtracting the % who stated a negative change over the past 3 months (e.g. decrease/worse) from the % who stated a positive change over the past 3 months (e.g. increase/better), to work out the overall impact.

Economic recovery continues with incomes and overall outgoings increasing

Overall finances and financial outlook remain more positive than seen in 2020. However, there has been little change to financial outlook between March and June 2021, as consumers remain somewhat cautious, potentially due to the increase in Delta variant cases.

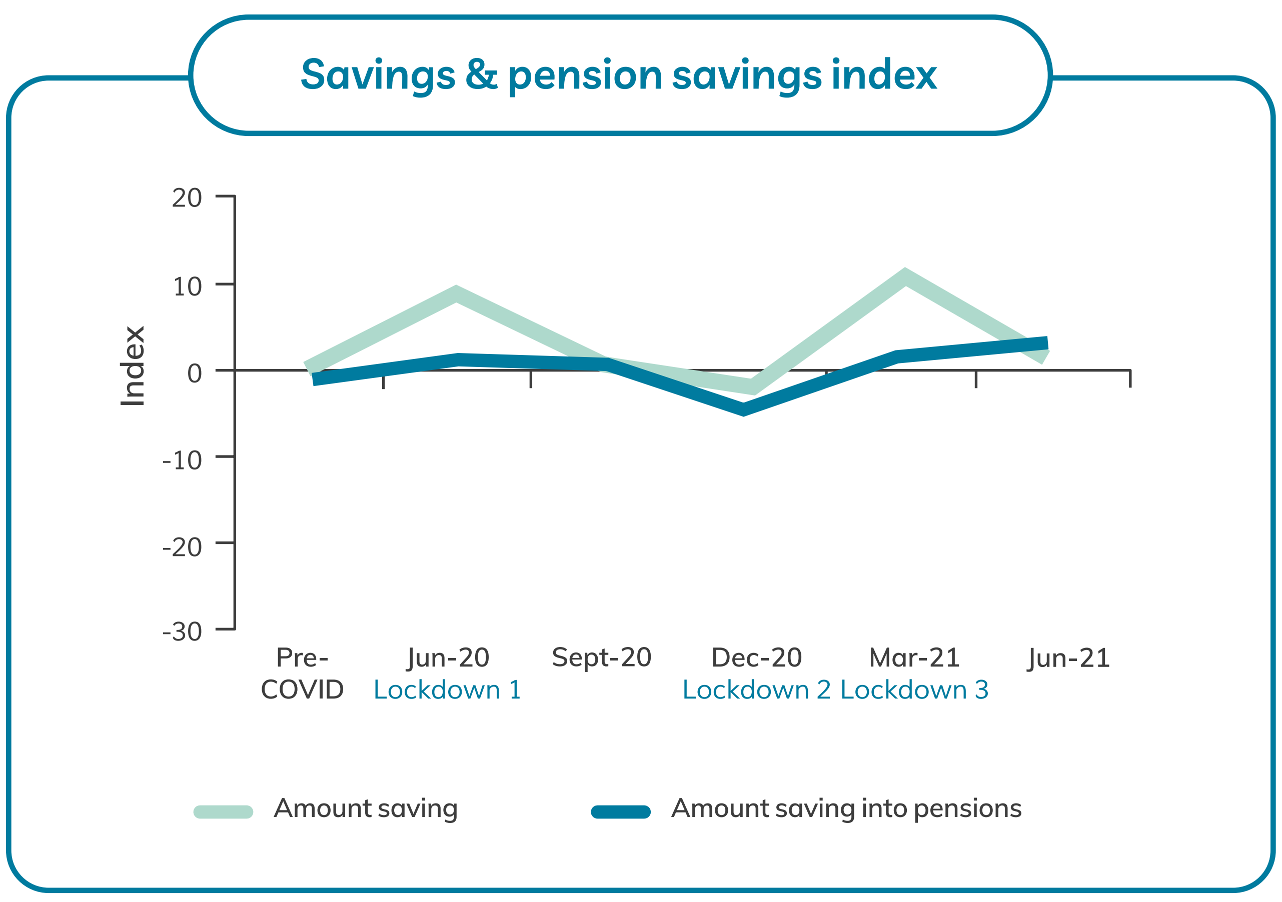
Incomes have continued to increase this quarter. In June 2021, 9.5m UK adults saw their incomes increase over the past three months - the highest figure since the quarterly survey started in June 2020.

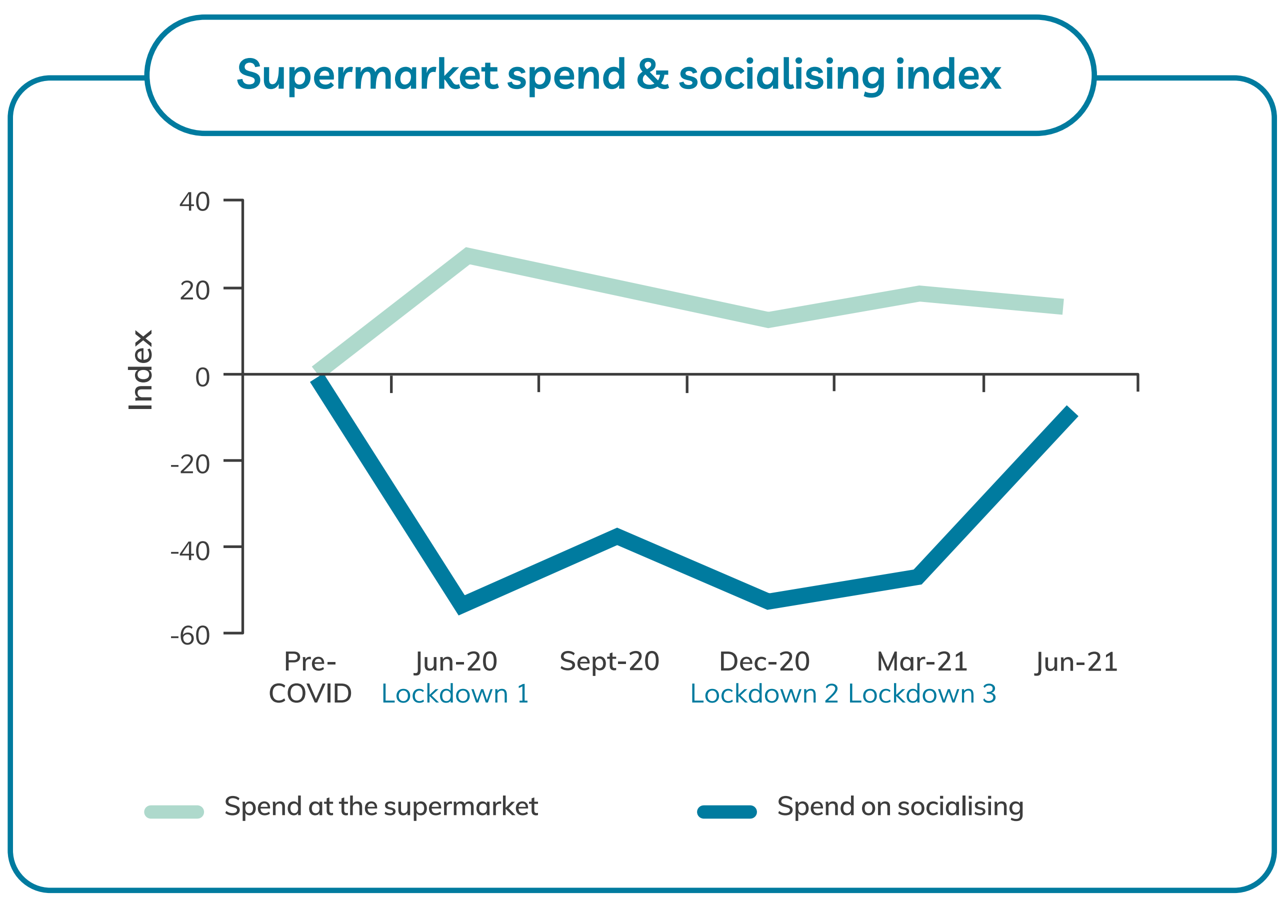




Socialising spend increases

The relaxation of many restrictions, in conjunction with the arrival of summer weather, has led to an increase in socialising spend and overall outgoings in the past 3 months. Outgoings are now the highest we've seen since the study began. This increase in outgoings is likely why we've seen fewer saving money this quarter.





See page 10 for the data behind these charts.

Mental health improves and worries decrease

The proportion of UK adults struggling with their mental health has decreased since last quarter. We've seen a large drop in the number of people feeling lonely (from 31% to 24%) now that lockdown is over. We've also seen drops in the amount of people worried about money (from 30% to 27%) and the future (32% to 28%).

UK adults feeling lonely

March 2021 **31%** vs **June 2021** **24%**

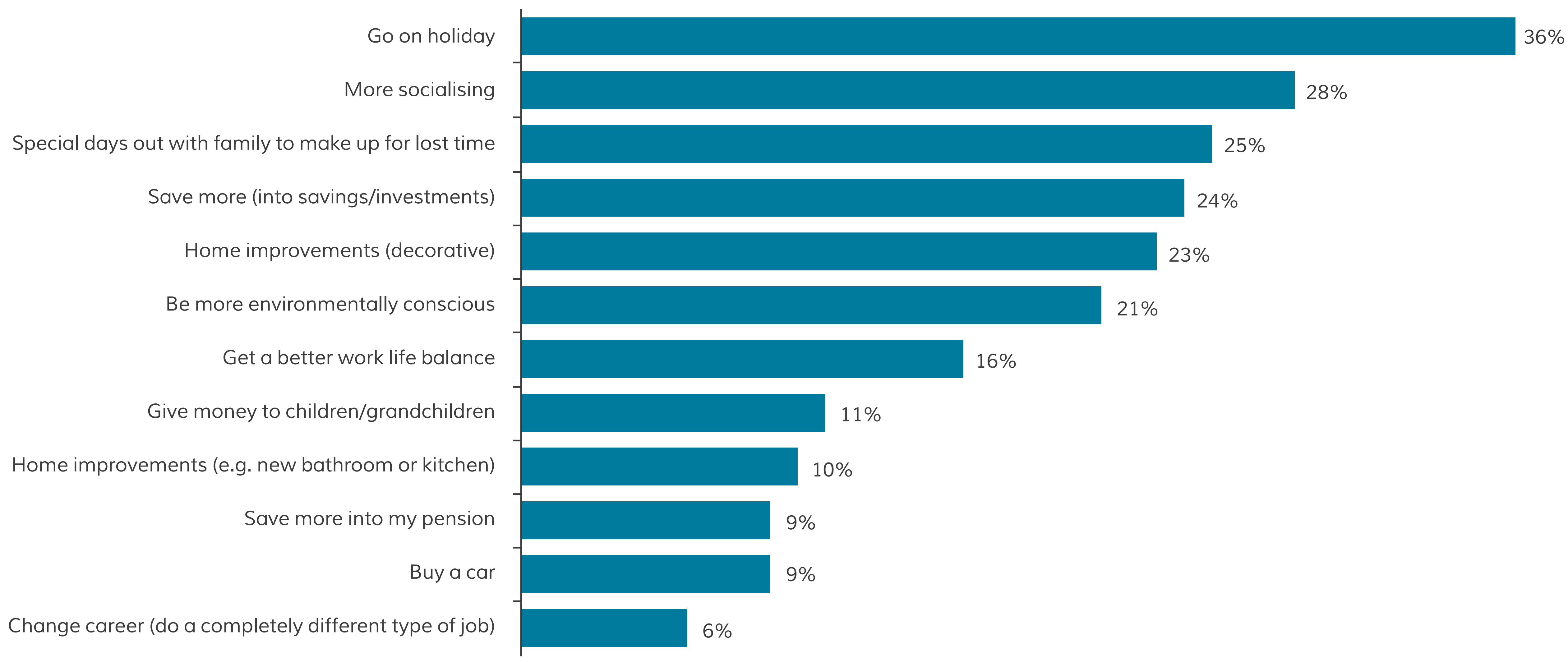
Financial priorities for the next 12 months

UK adults are planning holidays, socialising and days out to make up for lost time

In this quarter's survey, we asked consumers what they are planning to do in the next 12 months. We found that:

- Over 1 in 3 (36% of) UK adults are planning to go on holiday in the next 12 months.
- 25% of people want days out with their family to make up for lost time.
- Saving more into a pension isn't a top priority. Only 9% of UK adults are planning to save more into their pension in the next 12 months (14% of working people).

Which of the following, if any, do you plan to do in the next 12 months?



Those aged 65+ are on a spending spree, from holidays, days out and home improvements

- Those aged 65+ were most interested in holidays, days out, socialising and home improvements.
- 20% of those aged 65+ want to give money to children/grandchildren in the next 12 months.
- Saving more (into savings/investments) is a key priority for those under 45, as is socialising, getting a better work life balance and being more environmentally conscious.

Age 65+	
Go on holiday	45 %
Special days out with family to make up for lost time	29 %
More socialising	27 %
Home improvements (decorative)	27 %
Give money to children/grandchildren	20 %

Age 18-44	
Save more (into savings/investments)	32 %
More socialising	30 %
Go on holiday	30 %
Get a better work life balance	26 %
Be more environmentally conscious	24 %

26%
of mass affluent consumers
plan to be more environmentally conscious in the next 12 months

Mass affluent plan to be more environmentally conscious

- The mass affluent (those with assets of between £100,000 and £500,000 excluding property) are more likely than average to be planning to go on holiday and making home improvements in the next 12 months.
- 26% of the mass affluent plan to be more environmentally conscious in the next 12 months. This demonstrates why ESG funds are becoming increasingly popular amongst this demographic.

Married couples not talking about retirement

Married couples know virtually nothing about their partner's pension plans

In this quarter's research, we explored whether married couples (including people in a civil partnership) are talking about their retirement plans. We found that nearly half of married people (who were not yet retired) had not talked to their spouse about their retirement plans.

47%
of married people
have not spoken to their spouse about their retirement plans

Married couples aren't aware of the tax efficiencies of planning retirement together

Married couples do not appear to be discussing their pension with their spouse, with the majority (78%) of married people having no idea what their partner's pension(s) are worth.

Spouses also seem reluctant to plan their retirement finances together, unaware of the tax efficiencies of doing so.

70%
of married people
aren't going to plan their retirement finances with their partner/spouse

85%
of married people
aren't aware of the tax efficiencies of planning retirement together

66%
of married people
don't know how to ensure their spouse will be left with enough pension income if they were to pass away

Planning retirement together makes good financial sense

Couples who jointly plan their retirement can be much better off when they stop working. Simple planning could enable a retired couple to generate an income of more than £33,000 a year without paying income tax (see below example).

Example:

Richard 62 and Monica 60 are looking to retire. They are mortgage free and have no immediate need for a lump sum to pay off debts, but do require a joint income of £33,000 pa (after tax) to live off. They each have a pension pot valued at circa £400,000 and their adviser recommends that they each use part of their tax free cash allowance to provide the required income, as follows:

Richard		Monica		Total joint income
Tax-free cash	Drawdown income	Tax-free cash	Drawdown income	
£4,190	£12,570	£4,190	£12,570	£33,520

No income tax is payable, since all the drawdown income falls within their tax free personal allowances of £12,570 (for 2021/22). This means less pension savings are needed to provide the required income. Note that although no tax is due, they are likely to find that tax is deducted (at least on their first withdrawal). They will therefore need to complete form P55 to reclaim this.

The remaining pension funds can continue to grow within the tax-advantaged pension wrapper, including their remaining tax free cash entitlements.

Pension consolidation

Too many pension holders are unaware of the number of pensions they have

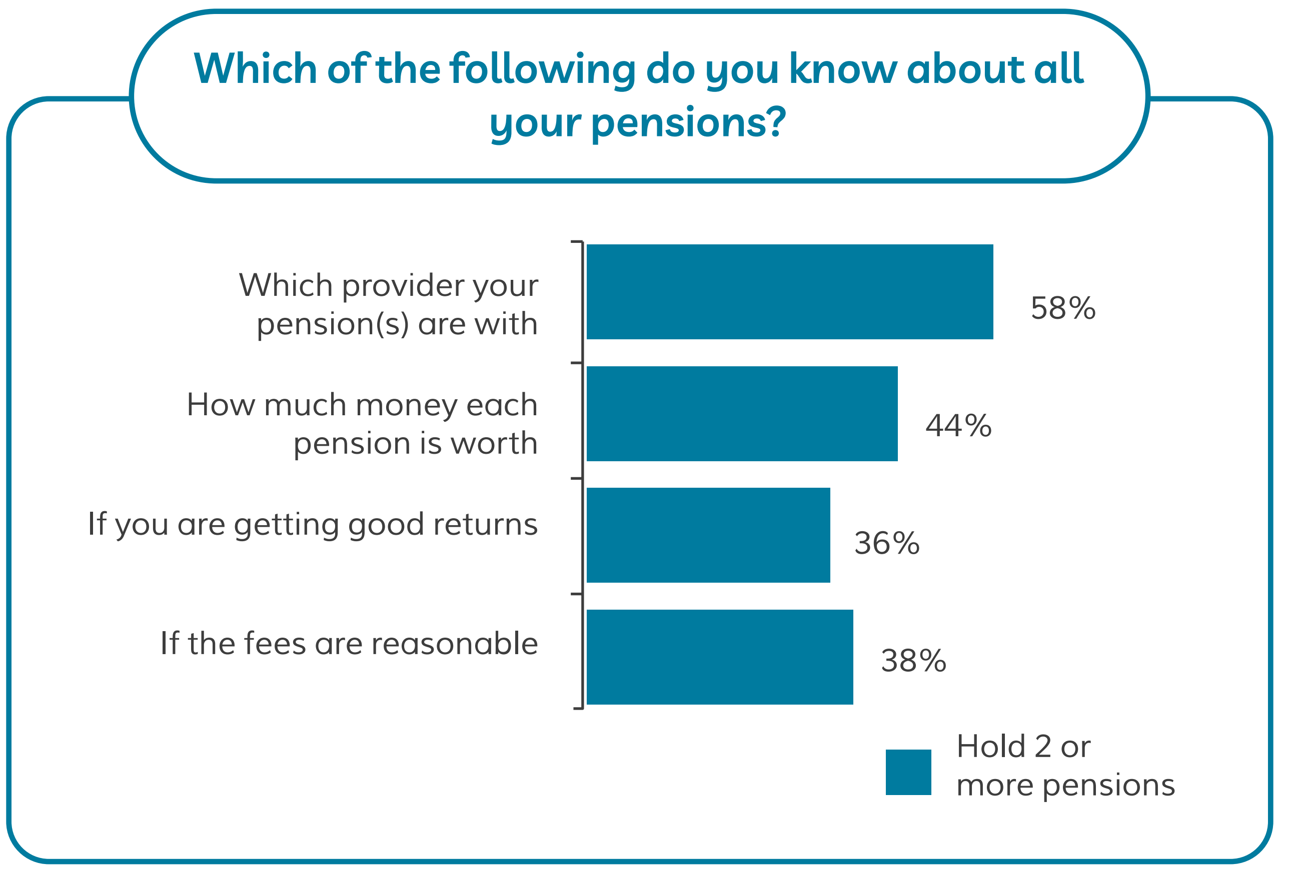
We asked how many pensions people have (excluding the State Pension). We found that:

- 18% of non-retired people (7 million people) have 3 or more pensions
- Over 1 in 10 (12%) has no idea how many pensions they have

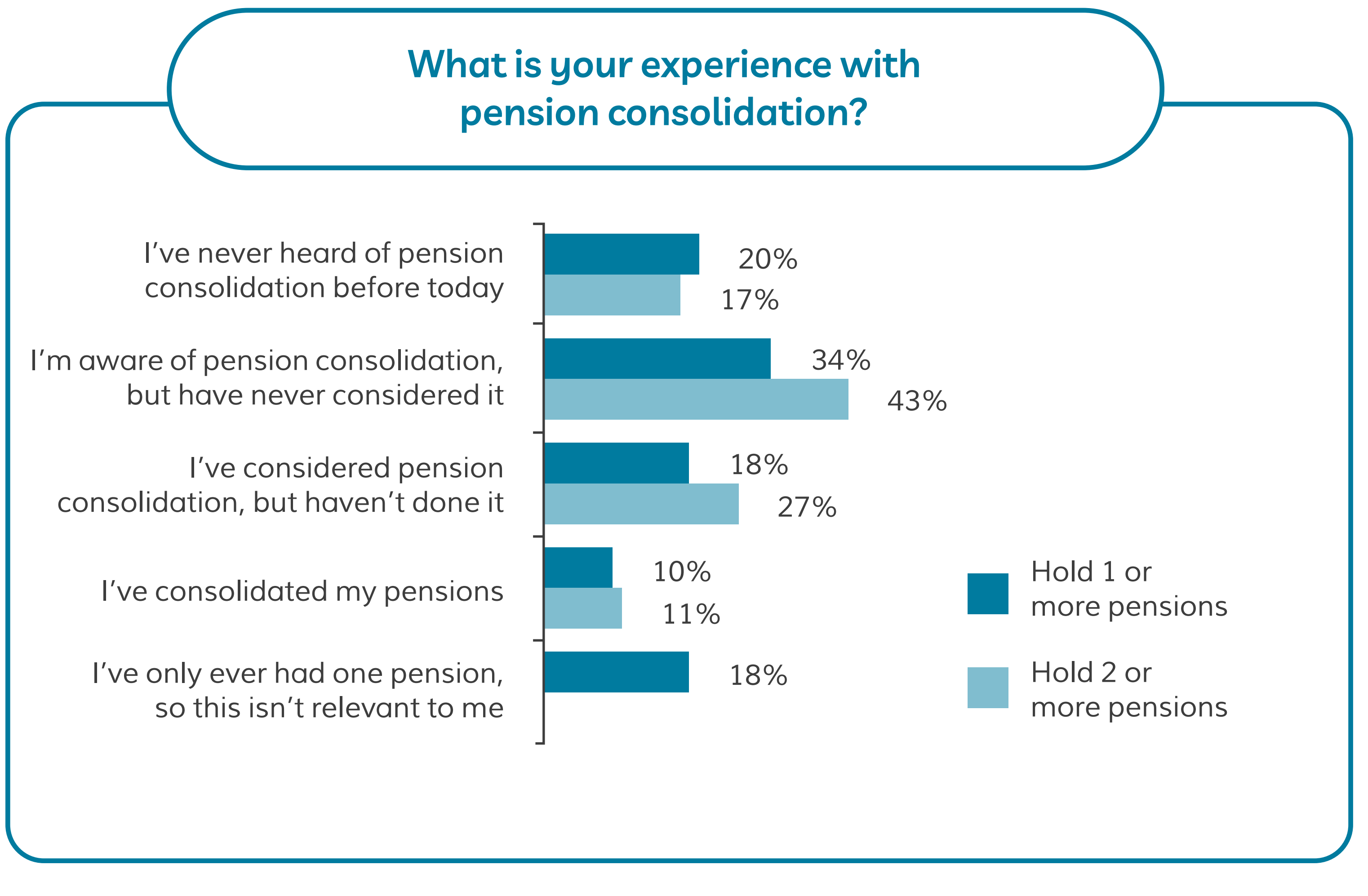
7 million
UK adults
have 3 or more pensions

Those with 2 or more pensions are struggling to keep track of them all

We found that less than half (44%) of those with 2 or more pensions knows the value of all of their pensions, and even fewer know if they are paying reasonable fees (38%) or getting good returns (36%).



Consolidation is where you combine multiple pensions into one pension, making it easier to keep track of, and can mean you pay less in fees and charges.



Many pension holders have never heard of pension consolidation

20% of pension holders (and 17% of those with 2 or more pensions) have never heard of pension consolidation.

- 1 in 3 (34% of) pension holders are aware of pension consolidation, but have never considered it.
- 1 in 10 (10% of) pension holders have consolidated their pensions.
- For those with multiple pensions, it can be a good idea to consult a financial adviser about consolidating them.

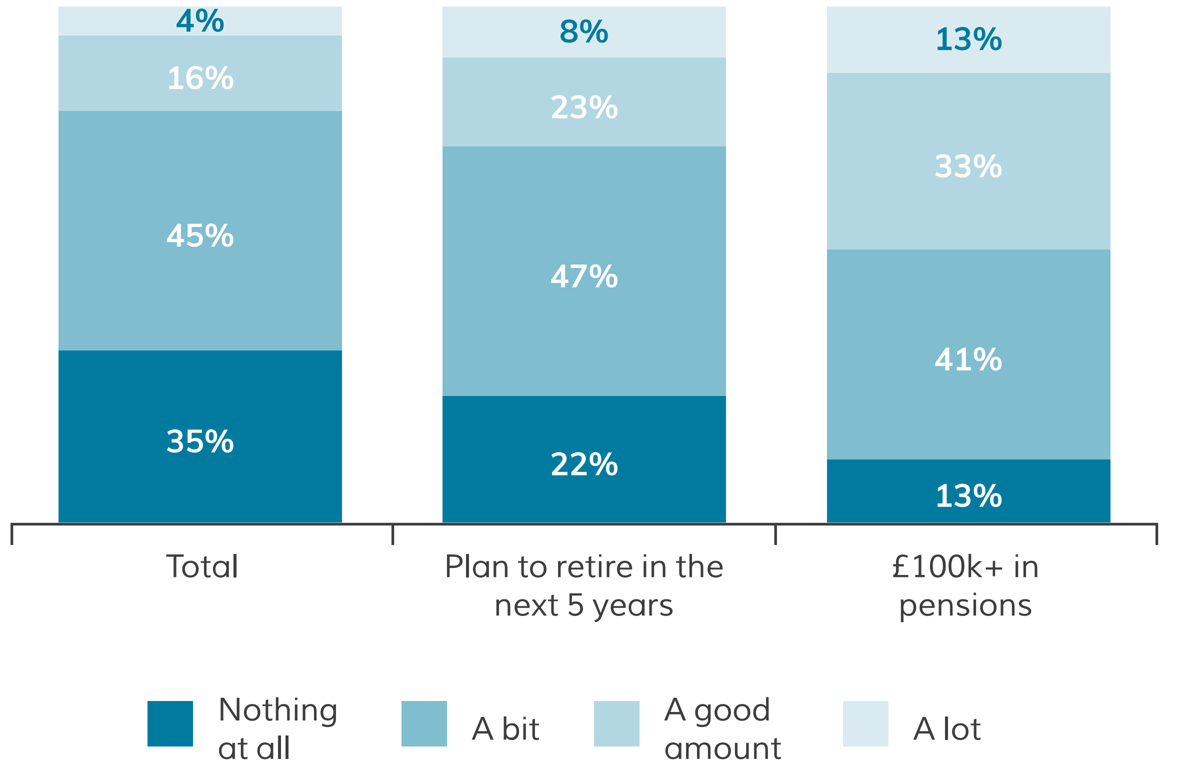
Retirement options

Many with large pots are planning to take a DIY approach to retirement

We asked pension holders whether they were planning on getting advice from a financial adviser when they retired. 61% overall said they weren't planning on getting advice at retirement. Over a third (38%) of those with over £100,000 in pensions said this.

Over a third
of people with over £100,000 in DC pensions
aren't planning on getting advice from a financial adviser when they retire

How much do you think you know about your product options at retirement and the pros and cons of each option?



Retirement product knowledge is poor

We asked pension holders how much they know about pension product options.

- Despite being 6 years since Pension Freedoms, many pension holders still don't understand the product options at retirement. Over a third (35%) of people with a pension know nothing at all about the different retirement products available.
- 22% planning to retire in the next 5 years know nothing at all about the different retirement products available.
- Only 46% of those with DC pensions worth over £100,000 say they know a good amount/a lot about the different retirement products available.

Many of those with large pots do not understand how to take money from their pension in a tax efficient way

Pension holders lack knowledge about some key areas of retirement.

- Only a third of people planning to retire in the next 5 years say they understand how to ensure they don't run out of money in retirement.
- Only half of people with over £100,000 in DC pensions understand how to take money from their pension in a tax efficient way. This is a key reason why they should seek financial advice at retirement.

Understand a lot/a good amount about...	Pension holders	Plan to retire in the next 5 years	£100k+ in pensions
The effect of stock market fluctuations on your pension savings	25%	28%	51%
How to ensure you don't run out of money in retirement	25%	33%	50%
How to take money from your pension in a tax efficient way	25%	33%	50%
How to ensure your partner/ spouse will be left with enough pension income if you were to pass away	27%	36%	53%
How to pass on money to children/grandchildren in a tax efficient way	28%	33%	47%

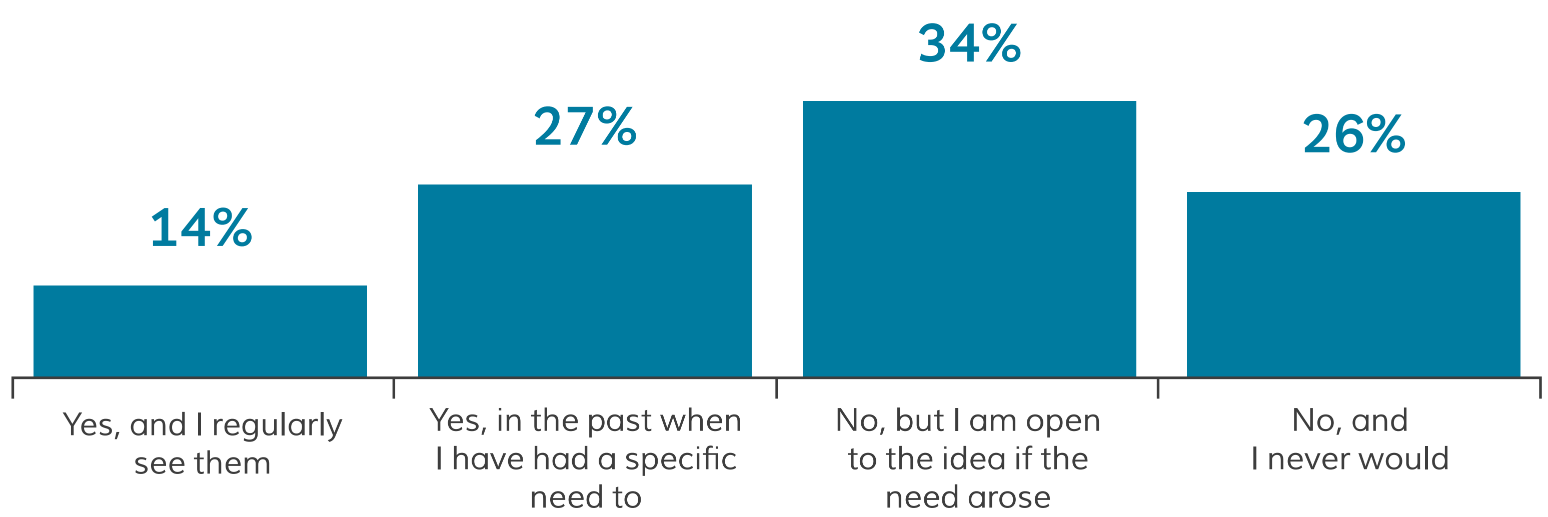
People don't understand the role of advisers

The majority of UK adults have never used a financial adviser

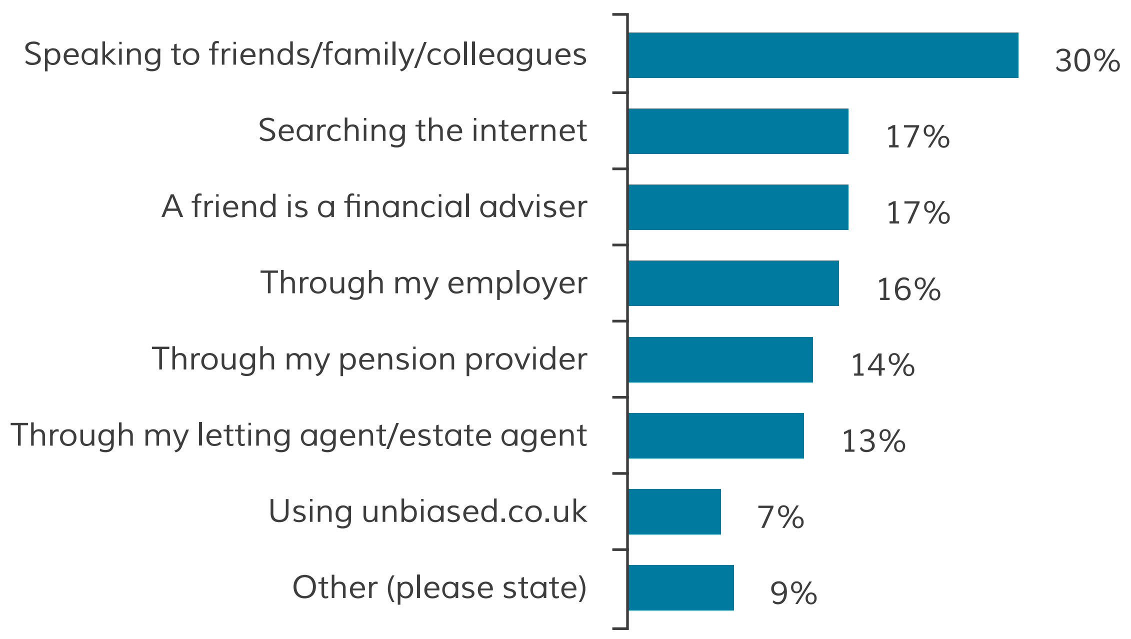
We found that:

- 60% of UK adults have never used a financial adviser.
- 26% of UK adults would never use a financial adviser.
- Only 14% of UK adults regularly see a financial adviser.

Have you ever used a financial adviser?



You stated that you have previously used a financial adviser, how did you find them?



Word of mouth key to finding an adviser

We asked those who have previously used a financial adviser how they had found them.

- 30% of advised consumers found their adviser through speaking to friends/family/colleagues.
- 9% stated "other" places, including through their bank or building society, through their union, solicitor, accountant, or mortgage provider.

Non-advised over 55s feel they can make financial decisions on their own

We asked those who have never used a financial adviser why they hadn't:

- For younger people (aged under 35), their top reason for not receiving financial advice was that they've never had to make any big financial decisions.
- The top reason for those aged 55+ and for the mass affluent (those with assets of between £100,000 and £500,000 excluding property) was that they felt they could make financial decisions on their own.

29%

of those who've never used an adviser

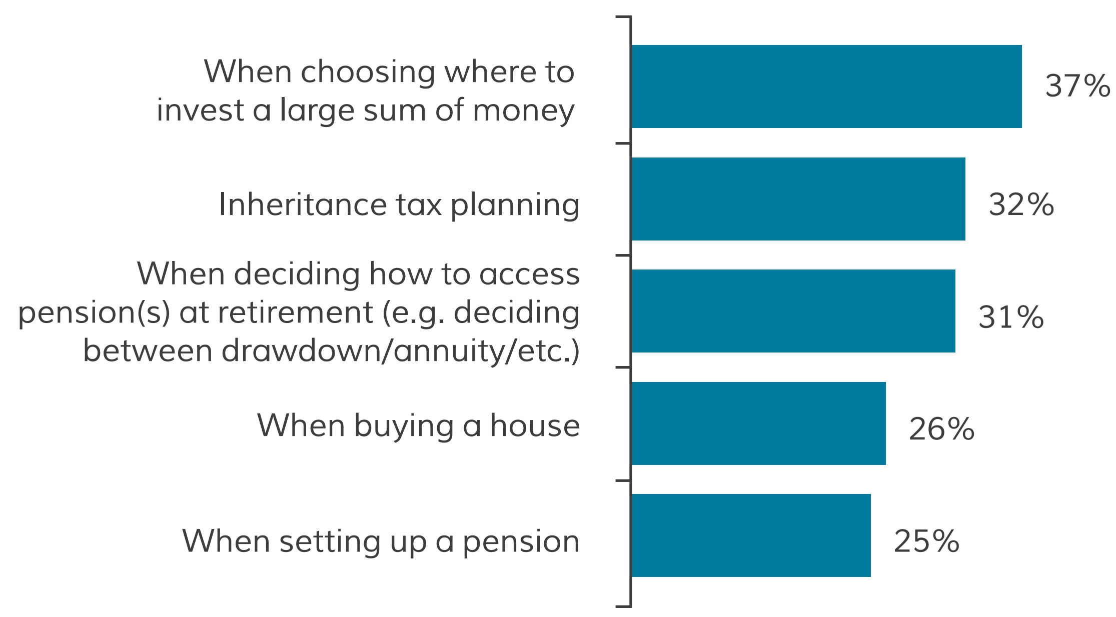
feel that they can make financial decisions on their own

Many consumers do not see the value of advice

We asked all our respondents on which occasions people should seek financial advice.

- Less than a third of UK adults (31%) think people should see a financial adviser when deciding how to access pension(s) at retirement.
- The majority of consumers don't seem to consider advice valuable at any of these major financial decision points.

On which of the following occasions, if any, do you think people should seek financial advice from a financial adviser? Top 5 reasons



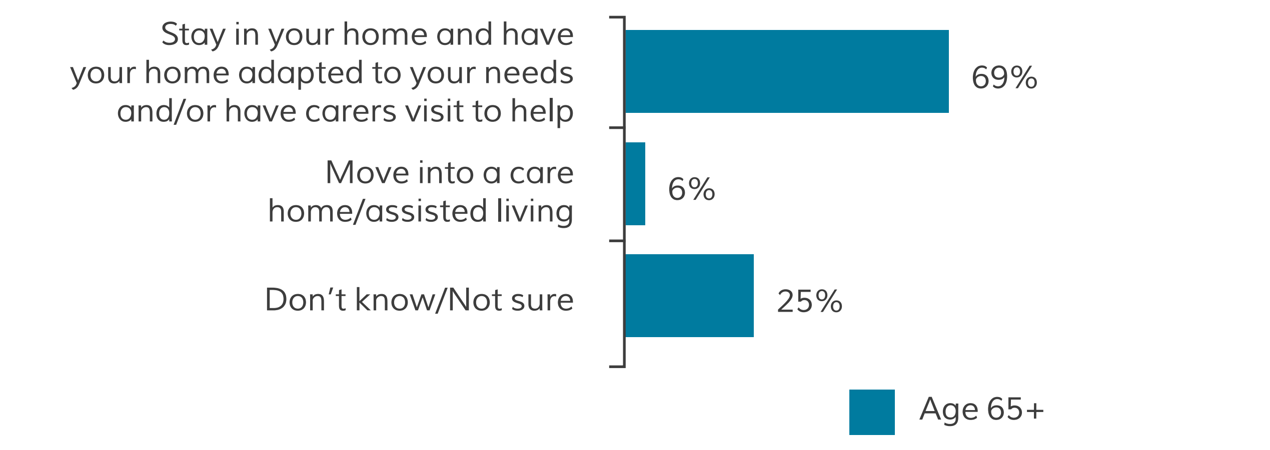
Equity release

Moving into a care home is the last resort

In this quarter's survey we explored UK adults' feelings towards care homes.

We asked our respondents what they would prefer to do if in old age they struggled looking after themselves. An overwhelming majority of those aged 65+ (69%) would prefer to stay in their own home, getting it adapted, and have carers visit rather than enter a care home (6%).

If in old age you began to struggle to look after yourself, which of the following would you prefer?



65%
of those aged 65+
say they are worried about ever moving to a care home after seeing how easily illnesses (like Covid-19) can spread

Covid-19 has led to care home concerns

There have been several stories in the press over the last 12 months concerning how many care homes had outbreaks of Covid-19. This has unsurprisingly left many of those aged 65+ particularly anxious. Two thirds of this age group said that they were worried about ever moving to a care home after seeing how easily illnesses (like Covid-19) can spread.

Misunderstandings about the product is putting many off equity release

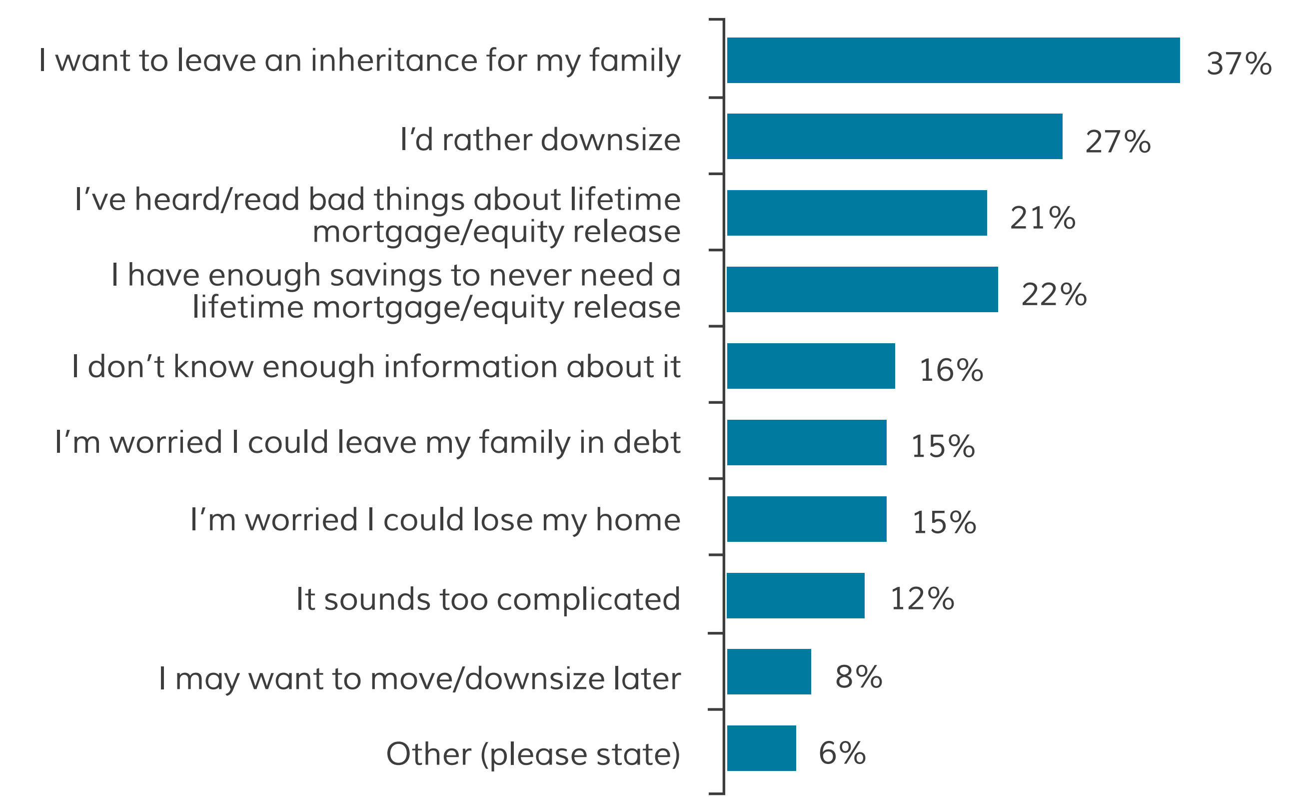
We asked our respondents whether they would consider getting a lifetime mortgage at some point in the future. Over a third (36%) of homeowners were open to the idea.

We asked those who weren't open to the idea why they wouldn't consider a lifetime mortgage.

- The top barrier was a desire to leave inheritance for family.
- Some also mentioned a fear of leaving family in debt, despite the fact that most equity release products feature a no negative equity guarantee.
- Other top reasons included a preference to downsize or feeling that they had enough savings to never need equity release.

36%
of home owners
would consider a lifetime mortgage or already have one

Why wouldn't you consider a lifetime mortgage?



Appendix – Wealth & Wellbeing Indices data

How finances might look 3 months from now

	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
Better	17 %	14 %	12 %	18 %	17 %
Worse	23 %	22 %	26 %	20 %	18 %
Index	**-6**	**-8**	**-14**	**-2**	**-1**

How finances have changed in last 3 months

	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
Better	17 %	14 %	11 %	18 %	16 %
Worse	35 %	32 %	36 %	27 %	25 %
Index	**-18**	**-18**	**-25**	**-9**	**-8**

Income from work

	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
Increase	10 %	10 %	13 %	16 %	18 %
Decrease	21 %	20 %	20 %	15 %	12%
Index	**-11**	**-10**	**-7**	**1**	**6**

Total monthly outgoings

	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
Increase	23 %	25 %	19 %	22 %	31 %
Decrease	32 %	23 %	35 %	33 %	18 %
Index	**-9**	**2**	**-16**	**-11**	**14**

Amount saving

	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
Increase	23 %	19 %	23 %	27 %	21 %
Decrease	14 %	18 %	24 %	17 %	19 %
Index	**8**	**1**	**-1**	**10**	**2**

Amount saving into pensions

	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
Increase	8 %	8 %	9 %	10 %	10 %
Decrease	7 %	8 %	13 %	8 %	7 %
Index	**1**	**0**	**-4**	**2**	**3**

Spend at the supermarket

	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
Increase	42 %	35 %	30 %	33 %	29 %
Decrease	15 %	14 %	18 %	15 %	13 %
Index	**27**	**21**	**13**	**18**	**16**

Spend on socialising

	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
Increase	7 %	11 %	8 %	7 %	22 %
Decrease	60 %	48 %	61 %	54 %	31 %
Index	**-53**	**-37**	**-52**	**-47**	**-9**

About this report

This report was developed by LV=, drawing on public data where indicated, and independent research among c.4,000+ UK adults each quarter – via Opinium Research.

All figures quoted are for June 2021 unless otherwise stated.

[1] Figures based on UK adult population of 52.6m.

While care is taken in the compilation of the report, no representation or assurances are made as to its accuracy or completeness.

About LV=

LV= is a leading financial services provider. When we started in 1843 our goal was to give financial security to more than just a privileged few and for many decades we were most commonly associated with providing a method of saving to people of modest means.

Today we follow a similar purpose, helping people to protect and provide for the things they love, although on a much larger scale and through a wide range of financial services including insurance, investment and retirement products.

You can get this and other documents from us in Braille, large print or on audio by contacting us.

Liverpool Victoria Financial Services Limited: County Gates, Bournemouth BH1 2NF.

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